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Rewald firm held bankrupt despite claim of CIA tie

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Ronald Rewald claimed yesterday that the CIA put money into his firm and directed the investment of the CIA funds.

And Rewald said he was phasing out his clients' investment accounts in favor of other investments when a television station's "attack" on him and his company started a "run."

Rewald's attorney, Robert A. Smith, suggested that Rewald's company was far from bankrupt because as much as \$6 million of the \$12 million invested had come from sources other than "legitimate investors" and would never be claimed.

Smith appeared to be referring to the CIA and to "cover funds from highly-placed foreigners."

But U.S. District Court Judge Martin Pence ruled that Rewald's firm is bankrupt no matter where the money came from or went. Pence ordered that an estimated \$2 million in assets be gathered and sold to pay back some of the \$12 million invested by about 400 persons.

The judge also refused to lift a freeze on Rewald's assets so Rewald could pay legal fees.

For Rewald to ask for such funds after fleecing the public and looting the company was tantamount, bankruptcy trustee attorney Don Gelber said, to "a person convicted of murdering his mother and father who then begs for mercy on grounds he is now an orphan."

Pence said there were no documents to back Rewald's claims about mysterious investments in "pie-in-the-sky" things like Indonesian tea plantations, or that the CIA ordered the

company's study on the flight of capital from Hong Kong.

And the judge said whatever Rewald's CIA connections were, they were irrelevant to the issue of bankruptcy.

Pence had said earlier after looking at other classified material that Rewald, because of his contacts with present and former members of the CIA, "considered himself a more important, undisclosed private associate of the CIA organization than he actually was."

But the hearing before Pence yesterday left even more tantalizing questions than it answered about Rewald's link with the Central Intelligence Agency.

CIA attorney Robert M. La-prade said in a carefully-worded affidavit that "on the basis of information that I am aware of I state the following:

● "(1) the CIA did not cause Bishop, Baldwin, Rewald, Dillingham and Wong to be created nor has the agency at any time owned, operated, controlled or invested in" the company;

● and, "(2) the CIA was not aware of and has had absolutely nothing to do with Ronald Rewald's alleged appropriation to himself of the funds of (the company) or its investors."

But the CIA, with Pence's blessing, nevertheless kept scores of Rewald's exhibits sealed for further "review."

And the agency censored huge chunks of Rewald's confidential affidavit in the case, all in the name of national security.

In fact, it appears from what was left in Rewald documents which were released yesterday that the CIA kept secret even the tiniest reference to itself or intelligence activities.

Judge Pence
the veil, twice:

Pence quoted from paragraph 21 of Rewald's confidential affidavit, saying that Rewald had claimed that "Bishop Baldwin's account at Hawaii National Bank, the main depository account, thus consisted of (1) funds from legitimate investors, consisting of their own monies; (2) funds from the the CIA; and (3) cover funds from highly-placed foreigners."

The money, the judge quoted Rewald as saying, was "commingled," and used "for the purpose of (A) meeting the office overhead of Bishop Baldwin, (B) in legitimate Bishop Baldwin investment transactions, and (C) in CIA-directed investments."

Paragraph 21 was among those sealed by Pence at the CIA's request.

At another point, Judge Pence indicated Rewald had claimed that the Hong Kong capital study was "brought about at the request of the CIA." But, the judge said, the exhibit offered to support that claim "did not in the slightest refer to anything in Hong Kong."

What is not known is what the exhibit did refer to. The exhibit, along with 60 of the other 94 exhibits submitted by Rewald, was sealed at the CIA's request.

According to a deposition filed earlier in the bankruptcy proceeding, Rewald had made similar claims earlier. A deposition signed by Tony Cabading, Rewald's former tax accountant, quoted Rewald as saying, "the money I am loaning, lending to the corporation, are from the CIA. All this money. But I ask them, what should I do with them. And they won't tell me."

Cabading said he was asking Rewald how the company had so much money to loan, when neither Rewald nor the company showed any income.

There has been some speculation — but no hard evidence — that some foreign nationals may have used Rewald's firm as a vehicle for removing funds from their countries.

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Sources said, however, there are few depositors listed with the company with foreign addresses.

Rewald's confidential affidavit was heavily excised by the CIA before portions of it were released yesterday. In all, the CIA removed about 30 pages from the 57-page document because of references to the CIA.

Much of what was left repeated the claims Rewald made in another, "non-confidential" affidavit described in an Advertiser story Sunday. That non-confidential affidavit remains under the court's seal because of the interpretation placed on it by the court clerk's office.

It was what appeared to have been taken out of Rewald's affidavit that was interesting.

Rewald starts out giving a chronological story of his life, and gets to the point where, having married at the age of 18, he attended a junior college, Milwaukee Institute of Technology, "in the early 1960s."

The next several paragraphs are excised by the CIA, and the story picks up again when Rewald started working for a sporting goods company some time later.

The missing portion appears to coincide with that point in his life in which Rewald has falsely claimed he was earning degrees from Marquette University.

Later in the affidavit, Rewald says offhandedly that "of course" he had not obtained Marquette degrees — a comment that suggests his Marquette story was somehow related to classifiable or CIA activities.

The CIA excised material from the story at a point when Rewald moves to Hawaii, both before and after his 1977 meeting with Sunny Wong and their establishment of an office on the 15th floor of the Amfac Building.

Whatever Rewald wanted to say about his activities from that point to the writing of the Hong Kong capital flight study in 1983 has been excised by the CIA, a period covering 16 pages in the narrative. The CIA also

excised eight pages apparently dealing with matters from the time of his July 29 suicide attempt to the present day.

In between the censored portions, Rewald paints a grim picture of the plight of investors, "many of whom were my friends, family and relatives, all the people I cared about the most in the whole world."

His wife and children, Rewald says, are split up, living with relatives who had their life savings in Bishop Baldwin. "My oldest children (the Rewalds have five children, daughters aged 12, 13 and 17, and sons aged 15 and 19) had to quit school to get jobs. My wife is working as a housekeeper, trying to hold what's left of the family together."

And Rewald also offers more defense for the company's activities.

It was true, he said, that investors were once told their accounts were insured up to \$150,000 by the Federal Deposit Insurance Corporation, but that was only because of an aborted plan to deposit the money in insured bank accounts and to use those accounts as collateral for loans.

By that time, Rewald said, the entire investment account system had "mushroomed to the point of being too time-consuming and cumbersome to control." He said the company decided at a November 1982 board meeting to discontinue the accounts.

Among those listed as present at the meeting, by invitation, was Jack Kindschi, a company consultant and investor and former head of the CIA's office in Honolulu.

In April 1983, Rewald said, he told all consultants that "suitable investment alternatives would be found," but insisted no clients be advised of the change until they were found.

In June, Rewald said, he sent out another memo on the same point, and "we began turning down, literally, millions of dollars from potential clients who wanted to place their funds

with us."

He said he turned down \$4 million from some Big Island investors, and turned down Cale Carson, who said he wanted to invest. Rewald said he understood it was Carson who then first complained to state authorities about Rewald's company.

Carson could not be reached last night.

Rewald apparently claims the company had \$3.6 million in assets which related to the CIA; paragraphs covering such assets are excised from his affidavit.

Rewald said he was planning an orderly transfer of client funds from the investment accounts to other investments such as the "legitimate" business opportunities coming his way. He also apparently was relying on some CIA connections as well; the CIA blanked out the rest of the sentence.

But, Rewald said, television reporter Barbara Tanabe's "attack" on the company July 29 started a "run" on the firm.

"I did attempt to take my life on July 29" following the television broadcast, for two reasons:

- "First and foremost, the disclosures made that day — of my previous bankruptcy, of pending investigations by the Department of Commerce and Consumer Affairs, Internal Revenue Service and FDIC, and charges that I had not played professional football (I had), or received degrees from Marquette University (of course I had not) — caused me shame, humiliation and embarrassment beyond measure.

"This was not so much for myself as for my family. I wanted to shield them from this public exposure of private and personal matters, and so I arranged that day for them to leave for Wisconsin."

- Whatever Rewald's second reason for attempting suicide was, he must have claimed it involved the CIA: the CIA excised it from the documents.